

Louisiana Association of Community Action Partnerships, Inc.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT**

and

**INDEPENDENT AUDITORS' REPORTS ON INTERNAL ACCOUNTING CONTROL
AND COMPLIANCE AND OTHER MATTERS**

For the Year Ended October 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

5/20/09

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FINANCIAL INFORMATION SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

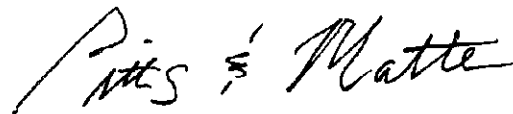
We have audited the accompanying statement of financial position of the Louisiana Association of Community Action Partnerships, Inc. (LACAP) (a nonprofit organization) as of October 31, 2008, and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of LACAP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LACAP, as of October 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2009, on our consideration of LACAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of LACAP taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements of LACAP. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Pitts & Matte". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2009

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2008

ASSETS

Current assets

Cash	\$ 1,803,565
Grant receivable	33,013
Due from provider agencies	115,457
Prepaid expenses	<u>1,500</u>

Total current assets 1,953,535

Fixed assets - less accumulated depreciation 134,702

Total assets \$ 2,088,237

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 54,223
Due to provider agencies	<u>1,163,929</u>

Total liabilities 1,218,152

Net assets

Unrestricted 48,871

Temporarily restricted for:

Fixed assets with explicit restrictions on use	\$ 134,702	
Utility assistance programs	378,656	
General & Administrative	62,814	
Education	(71,693)	
Weatherization	199,276	
Disaster relief	<u>117,459</u>	
Total temporary restricted net assets		<u>821,214</u>

Total net assets 870,085

Total liabilities and net assets \$ 2,088,237

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2008

Changes in unrestricted net assets:

Revenues:

Membership fees	\$ 31,000
Seminar fees	53,745
Other	<u>11,120</u>
Total revenues	<u>95,865</u>

Net assets released from restrictions:

Satisfaction of program restrictions	<u>27,937,987</u>
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Total unrestricted revenue and support	<u>28,033,852</u>
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Expenses:

Program Services:

LIHEAP (Low Income Home Energy Assistance):

Energy assistance	20,112,699
Education	1,052,732
Weatherization	1,837,008
LIHEAP Express	2,662,905

Weatherization:

Weatherization Assistance	1,301,804
Leverage Funding	9,129
Training & technical assistance	180,788

Energy Assistance:

Atmos energy assistance	112,867
Black Elk	882

Disaster relief	10,102
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Seminars	77,335
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General and Administrative:

Capacity Building Grant	73,516
LIHEAP	184,552
Weatherization - Dept of Health & Human Services	196,358
Weatherization - Dept of Energy	198,841
Other	<u>7,333</u>

Total expenses	<u>28,018,851</u>
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Increase in unrestricted net assets	<u>15,001</u>
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Changes in temporarily restricted net assets:

Support:

Federal	25,191,829
State	2,685,316
Contributions	157,072

Net assets released from restriction:

Satisfaction of program restrictions	<u>(27,937,987)</u>
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Increase in temporarily restricted net assets	96,230
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Increase in net assets	111,231
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Net assets beginning of year	<u>758,854</u>
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Net assets end of year	<u>\$ 870,085</u>
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The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2008

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The accompanying notes are an integral part of these financial statements.

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED October 31, 2008

Cash flows from operating activities:		
Received from federal grantors		\$ 25,442,711
Received from state grantors		2,685,316
Received from contributions		157,072
Received from membership fees		31,000
Received from seminar fees		53,745
Received from other sources		11,120
Paid to employees		(389,771)
Paid to assist provider agencies		(25,215,334)
Paid to vendors		<u>(1,199,381)</u>
Net cash provided by operating activities		<u>1,576,478</u>
Cash flows from investing activities:		
Purchase of fixed assets		<u>(121,804)</u>
Net cash used in investing activities		<u>(121,804)</u>
Net increase in cash and cash equivalents		1,454,674
Cash and cash equivalents at beginning of year		<u>348,891</u>
Cash and cash equivalents at end of year		<u>\$ 1,803,565</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets:		\$ 111,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$	21,112
Increase in prepaid expenses		(1,500)
Decrease in grants receivable		250,882
Decrease in due from provider agencies		155,544
Increase in accounts payable and accrued expenses		36,025
Increase in due to provider agencies		<u>1,003,184</u>
		<u>1,465,247</u>
Net cash provided by operating activities		<u>\$ 1,576,478</u>

Louisiana Association of Community Action Partnerships, Inc.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the Louisiana Association of Community Action Partnerships, Inc., (LACAP) significant accounting policies applied in the preparation of the accompanying financial statements follows:

LACAP is a non-profit, service organization that was established for the primary purpose of promotion of economic and social opportunities on behalf of the Louisiana's indigent population, as well as the promotion of quality education and training for all human services providers. The mechanism for the delivery of these services is through the membership of the forty-two community action agencies that cover all sixty-four parishes in the state.

The function of LACAP is to (1) provide an organization through which all community action agencies in Louisiana can work together to further the goals and objectives of said agencies; (2) bring about more effective cooperation between community action agencies and other community and faith-based organizations that have similar objectives; (3) participate in and strengthen community action agencies' professional organizations; and, (4) provide training and technical assistance to agencies.

The following is a summary of LACAP's programs and their primary functions during the year ended October 31, 2008:

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
General	Membership and Seminar Fees	General operations and seminars
Low - Income Home Energy Assistance Program (LIHEAP)	U.S. Dept. of Health and Human Services through the Louisiana Housing Finance Agency	To assist low-income persons meet the costs of home energy. Included in the program are funds for education, administration and limited amounts for weatherization.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
LIHEAP-Express	Louisiana Petroleum Violation Fund through the Louisiana Housing	To assist low-income persons meet the costs of home energy.
Weatherization	U.S. Dept. of Energy through the Louisiana Housing Finance Agency	To assist low income persons reduce their total expenditures and improve their health and safety.
Capacity Building	U.S. Dept. of Health and Human Services	To expand LACAP's ability to serve member community action agencies and other organizations that have similar objectives.
Energy Assistance	Primarily Corporate donations	To administer and fund a program to assist individuals having difficulty paying their utility bills in certain geographic areas.
Disaster Relief	Individual and Corporate donations	To assist victims of natural and other disasters.

Basis of Accounting

The accrual basis of accounting is generally used by LACAP.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Revenues

A significant portion of the Organization's support and revenue is in the form of grants and contributions from governmental agencies and other groups. Contributions are generally reported as temporarily restricted, if they are received with donor stipulations. Grants are also accounted for as temporarily restricted if the value received by the grant provider is only incidental to the public benefit provided by use of the grant funds. When the stipulations of the grantor or donor are met, then these assets are reclassified as unrestricted and reported in the statement of activity and changes in net assets as net assets released from restrictions.

Grant funds received from grant providers, who receive significant value in exchange for grant funds, are accounted for as exchange transactions and revenue is recognized as services are performed.

LACAP also receives membership and seminar fees from member agencies and participants which are recognized as revenue when received.

Expenses

Assets or expenses and their related liabilities are recorded when the related goods or services are received by LACAP. Costs incurred in connection with general and administrative costs are charged to expenses as incurred.

Due to or from Provider Agencies

LACAP sometimes utilizes local community action agencies to assist it in providing services. In some cases LACAP advances funds to the agencies for these projects in advance of the completion of the project. LACAP records these amounts in assets as Due from Provider Agencies until the projects are complete. In other instances LACAP reimburses the agencies for costs of projects already performed, in these cases LACAP records a liability to the agency as Due to Provider Agencies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Purchased furniture, fixtures, and other equipment are valued at their actual cost. Fixed assets are depreciated over their estimated useful lives on the straight-line basis. Fixed assets purchased with federal dollars may need to be returned to the grantor, sold or retained by the organization in accordance with the respective grant agreements upon program completion.

Compensated Absences

Compensation is paid to employees absent from work due to illness or vacation. An accrual is not made because the amount is not significant.

Net Assets

In accordance with the Statement of Financial Accounting Standards #117, the Organization must report net assets in each of the following three classes:

- a. permanently restricted - net assets in this category are restricted by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.
- b. temporarily restricted - net assets in this category are restricted by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization.
- c. unrestricted - net assets in this category are not restricted by donor-imposed restrictions.

LACAP has unrestricted and temporarily restricted net assets.

The temporary restrictions result from grants or donations that have been received but not yet expended which are restricted to use in particular programs.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, LACAP considers all cash in non-interest bearing checking accounts and cash on hand to be cash and cash equivalent accounts.

Income Tax Status

The Organization operates as a not-for-profit organization. It is accorded tax exempt status under Section 501 (c) (4) of the Internal Revenue Code.

NOTE 2 - FIXED ASSETS

The following is a summary of fixed assets by major category with their related estimated useful lives:

<u>Category</u>	<u>Cost</u>	<u>Estimated Useful Life</u>
Vehicles	\$115,864	5 years
Equipment	<u>42,322</u>	5 years
Total	158,186	
Less: accumulated depreciation	<u>23,484</u>	
	<u>\$134,702</u>	

Depreciation for the year ended October 31, 2008 totaled approximately \$24,000.

Certain grant requirements restrict the use of certain fixed assets. Substantially all fixed assets acquired with donated funds would revert back to the grantor if those fixed assets would cease to be used in that program.

NOTE 3 - CONCENTRATIONS AND CONTINGENCIES

Approximately ninety percent and nine percent of LACAP's funding is obtained from federal and state grants, respectively.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the LACAP expects such amounts, if any, to be immaterial.

LACAP maintains bank accounts with balances approximately \$1,550,000 in excess of amounts insured by Federal deposit insurance.

NOTE 4 - RISK MANAGEMENT

LACAP is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the LACAP carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

SUPPLEMENTARY INFORMATION

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

Schedule of Expenditures of Federal Awards For the Year Ended October 31, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ <u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENSES INCURRED</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Louisiana Housing Finance Agency			
Low-Income Home Energy Assistance	93.568	\$ 23,550,280	\$ 23,518,051
Community Services Block Grant Discretionary Awards	93.570	<u>73,677</u>	<u>73,516</u>
Total U.S. Department of Health and Human Services		<u>23,623,957</u>	<u>23,591,567</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Louisiana Housing Finance Agency			
Weatherization Assistance	81.042	<u>1,567,872</u>	<u>1,690,562</u>
Total U.S. Department of Energy		<u>1,567,872</u>	<u>1,690,562</u>
Total Federal Financial Assistance		<u>\$ 25,191,829</u>	<u>\$ 25,282,129</u>

The accompanying notes are an integral part of this schedule.

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2008

NOTE 1 - REPORTING METHOD

Except for Low-Income Home Energy Assistance, all revenues and expenses on this schedule are reported on the basis of generally accepted accounting principles.

NOTE 2 - LOW-INCOME HOME ENERGY ASSISTANCE

Reconciliation of expenses incurred on the financial statements to expenses incurred on the Schedule of Expenditures of Federal Awards is as follows:

Total unrestricted expenses per financial statement	\$23,383,349
Add: Fixed asset additions	158,186
Less: Deprecation expense	<u>(23,484)</u>
Total expenses incurred per Schedule of Expenditures of Federal Awards	<u>\$23,518,051</u>

For grant reporting purposes, expenditures for fixed asset additions are considered to be grant expenses, however for financial statement purposes these expenditures are capitalized as fixed assets.

NOTE 3 - SCHEDULE OF PROGRAM REVENUE BY PROGRAM YEAR

Both major programs operated by LACAP, have different program year ends than the agency's fiscal year end. The following is a breakdown of revenue, recognized for each grant year within the LACAP fiscal year ended October 31, 2008:

Low Income Home Energy Assistance:	
Grant year ended 2007	\$6,648,443
Grant year ended 2008	<u>16,901,837</u>
Total	<u>\$23,550,280</u>
Weatherization Assistance:	
Grant year ended 2007	\$1,124,676
Grant year ended 2008	<u>443,196</u>
Total	<u>\$1,567,872</u>

INTERNAL ACCOUNTING CONTROL AND COMPLIANCE
AND OTHER MATTERS



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Association of Community Action Partnerships, Inc. (LACAP) (a nonprofit organization) as of and for the year ended October 31, 2008, and have issued our report thereon dated April 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LACAP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACAP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LACAP's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified two deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as items 2008-1-FS and 2008-2-FS in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

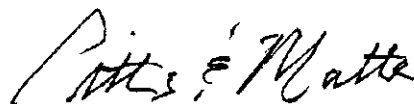
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies, that are also considered to be material weaknesses. However, we believe that the significant deficiency described above as item 2008-2-FS is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACAP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

LACAP's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LACAP's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, and awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Louisiana Association of Community Action Partnerships, Inc. (LACAP) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable its major federal program for the year ended October 31, 2008. LACAP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of LACAP's management. Our responsibility is to express an opinion on LACAP's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACAP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LACAP's compliance with those requirements.

In our opinion, Louisiana Association of Community Action Partnerships, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended October 31, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 which is discussed in the accompanying schedule of findings and questioned costs as item 2008-2-MP.

Internal Control Over Compliance

The management of LACAP is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LACAP's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACAP's internal control over compliance.

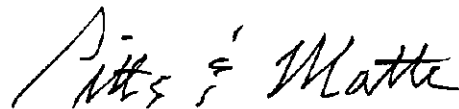
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified two deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a entity's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1-MP to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

LACAP's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LACAP's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, and awarding agencies, it is not intended to be and should not be used by anyone other than these specified parties

A handwritten signature in cursive script, reading "Pitts & Matte".

CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2009

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.
SCHEDULE OF FINDINGS, AND QUESTIONED COSTS
For the Year Ended October 31, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Louisiana Association of Community Action Partnerships, Inc.
2. Two control deficiencies were disclosed during the audit of the financial statements. One of these conditions is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Louisiana Community Action Partnerships, Inc., were disclosed during the audit.
4. Two findings relating to the audit of a major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Louisiana Association of Community Action Partnerships, Inc., expresses an unqualified opinion on the major federal programs.
6. Two audit findings relative to the major federal award programs for the Louisiana Association of Community Action Partnerships, Inc., are reported in Part C of this Schedule.
7. The programs tested as a major program are:
Low-Income Home Energy Assistance Program (LIHEAP) (CFDA No. 93.568)
Weatherization Assistance Program (CFDA No. 81.042)
8. The threshold for distinguishing types A and B programs was \$758,464.
9. Louisiana Association of Community Action Partnerships, Inc., was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

ITEM NO. 2008-1-FS ERROR IN RECORDING CERTAIN EXPENSES

Auditors' Comments:

Condition: The Weatherization Assistance Program (CFDA #81.042) is a major program funded by the Department of Energy (passed through Louisiana Housing Finance Agency) to provide weatherization to low income dwelling units to reduce the cost of energy services. The grant earmarks a portion of the funds for these specific purposes: program services, training, leveraging, and administrative. Our analytical review of the Statement of Functional Expenses disclosed an unusually large amount of expenses under the administrative category charged as training expense.

Further inquiry and detail review of documentation revealed that training costs of \$39,891 which should have been charged to the training portion of the grant were erroneously charged to administration.

Please note that an adjustment has been made to the financial records to correct this error so that it is not misstated in these financial statements. Because of this a questioned cost is not reported.

In addition other detail testing of LACAP's disbursement system did not disclose any expense misclassifications.

See detail comments at 2008-1-MP.

Type of Finding: Material Weakness in Internal Control over Financial Reporting

ITEM NO. 2008-2-FS RELIABILTY OF FINANCIAL REPORTING

Auditor's Comments

Condition: The staff responsible for the accounting and reporting function lacks the skills and knowledge needed for recording LACAP's financial transactions and in preparing the financial statements in accordance with generally accepted accounting principles.

Criteria: SAS No. 112 *Communicating Internal Control Matters Identified in an Audit* states in part:

"Internal control is a process...designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness, and efficiency of operations, and compliance with applicable laws and regulations."; and further,

"Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls."

Effect: There is an increased likelihood that material misstatement in financial information might occur and not be detected.

Cause: Due to the significant increase in the scope and complexity of LACAP's operations, the Agency's current personnel no longer have the level of expertise necessary to carry out all needed financial statement preparation functions.

Recommendations: LACAP should increase its expertise in the accounting area either through the addition of in-house personnel or by using ongoing consulting services.

Management's Response: We are in the process of seeking a professional in the accounting field who has a strong background in accounting and auditing. In addition, if needed we will contract with an outside CPA firm to assist us monthly to make sure that our reporting is being done accurately.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT

Type of Finding: Significant Deficiency in Internal Control Over Compliance for Major Program Compliance

ITEM NO. 2008-1-MP ERROR IN RECORDING CERTAIN EXPENSES

Questioned
Costs

Auditors' Comments:

NONE

Condition: The Weatherization Assistance Program (CFDA #81.042) is a major program funded by the Department of Energy (passed through the Louisiana Housing Finance Agency) to provide weatherization to low income dwelling units to reduce the cost of energy services. The grant earmarks a portion of the funds for these specific purposes: program services, training, leveraging, and administrative. Our analytical review of the Statement of Functional Expenses disclosed an unusually large amount of expenses under the administrative category charged as training expense.

Further inquiry and detail review of documentation revealed that training costs of \$39,891 which should have been charged to the training portion of the grant were erroneously charged to administration.

Please note that an adjustment has been made to the financial records to correct this error so that it is not misstated in these financial statements. Because of this a questioned cost is not reported.

In addition other detail testing of LACAP's disbursement system did not disclose any expense misclassification.

Criteria: The agreement between the grantor and agency specifies certain categories of expenses and a certain amount to be used for each category. Expenditures in excess of amounts specified for each category may not be reimbursed by the grantor.

Effect: Failure to properly code expenses correctly may cause LACAP to unwittingly overspend their allowable budget in a particular area.

Cause: Since our detail testing of LACAP's disbursements did not reveal errors in expense classification, it appears that the internal controls for purchasing, disbursements and expense recording are generally working as intended.

Occasional clerical or processing errors can occur in almost any system. However, significant isolated errors such as this probably would be detected by a periodic analysis of functional expenses by program, especially if there is a comparison of actual amounts to budgeted amounts. At present, LACAP's internal control system does not include such a periodic review.

Recommendation: We recommend that LACAP establish a procedure to make periodic comparisons of actual expense amounts to budgeted expense amounts by program and category and investigate any unusual or unexpected differences. In addition, if further investigation reveals errors that the errors be corrected.

Management's Response: Training costs were inadvertently charged to the administrative account rather than training and technical assistance. Accounting staff will be counseled on the importance of accurate recording of expenses. In addition, we will review accounts monthly to ensure that all expenses are properly recorded. If errors are found, they will be corrected immediately.

Type of Finding: Known Questioned Costs Greater than \$10,000 related to Compliance Required of a Major Program

Item No. 2008-2-MP KNOWN QUESTIONED COST

Questioned
Costs

Auditors' Comments:

Condition: The Low Income Home Energy Assistance Program (LIHEAP) (CFDA #93.568) is a major program funded by the Dept. of Health and Human Services and passed through Louisiana Housing Finance Agency (LHFA).

LACAP receives funding from LHFA and in turn administers and operates the program through forty-two local entities which operate the program in their local geographic region of the state.

LACAP funds and monitors the operations of the local entities through reports submitted by the local entities to LACAP. Funding to the local entities includes both funds for program payments in behalf of individual program participants for utility bill assistance and amounts to be used by the local subrecipients for administrative costs of the program. Specific amounts of the local subrecipient's funding are allowed for program service and administrative costs. Local subrecipients are advised of the total annual amounts for both program service costs and administrative costs. LACAP funds the local subrecipients periodically based upon requests and documentation submitted to LACAP by the subrecipients.

During the year LACAP funded the forty-two local subrecipients approximately \$20 million. In the course of processing subrecipients requests, LACAP discovered that one subrecipients (Pointe Coupee Community Advancement, Inc. [Pointe Coupee]) appeared to have utilized a portion of program service funds for administrative purposes. The total funded for Pointe Coupee was \$297,119, which includes \$26,966 of state funding.

After contacting Pointe Coupee and performing an initial limited review of the situation, LACAP determined that Pointe Coupee had indeed improperly utilized \$28,182 of program service funds for administrative purposes.

As a result of this discovery LACAP has done the following:

1. Notified and discussed this situation with LHFA,
2. Notified and discussed this situation with the LACAP Board of Directors and their attorney,
3. Notified us as their auditor and agreed that we should advise the Louisiana Legislative Auditor's Office which has been done,

Questioned
Costs

4. Transferred Pointe Coupee's funding for the subsequent program year to another subrecipient provider, and
5. Instituted a more thorough investigation of the LACAP pass through funding to Pointe Coupee for the program. According to LACAP this investigation is in process but has confirmed that \$28,182 is a known questioned costs and preliminary findings indicate that an additional \$40,000 to \$50,000 in questioned costs is possible.

Criteria: The agreements between the grantor and agencies (LHFA, LACAP and Pointe Coupee) specifies certain categories of expenses and certain amounts to be used for each category. Expenditures of amounts specified for one category but spent in another may not be reimbursed by the grantor.

Effect: The grantor may request reimbursement for \$28,182, amounts expended by Pointe Coupee in excess of those amounts authorized by LACAP and LHFA. \$28,182

Cause: Pointe Coupee improperly expended funds earmarked for program services for administrative costs. Because Pointe Coupee's detail records and internal control systems are beyond the scope of the LACAP audit, the reasons for noncompliance spending by Pointe Coupee can not be determined in this audit.

Recommendation: LACAP should complete their investigation and determine the total amount of noncompliance spending by Pointe Coupee and the cause if possible..

LACAP should request that any improperly expended amount should be reimbursed by Pointe Coupee.

In addition if the cause of the misspending is determined to be possible fraud or illegal acts then information should be furnished to the proper law enforcement agencies.

Management's Response: We are in the process of completing our investigation on Pointe Coupee Community Advancement, Inc. in order to determine the total amount of noncompliance spending by the agency and the cause if possible. We will request that any improperly expended amount will be reimbursed by Pointe Coupee Community Advancement, Inc. In addition, if the cause of the misspending is determined to be possible fraud or illegal acts the information gathered will be furnished to the proper law enforcement agencies.

D. SUMMARY OF PRIOR YEAR FINDINGS

ITEM NO. 2007-1-MP FAILURE TO PERIODICALLY RECONCILE CASH BALANCES

Auditors' Finding

Our auditors reported that bank reconciliations were not periodically prepared during the year.

Corrective Action

This was corrected in 2008.

ITEM NO. 2007-2-MP FAILURE TO PROPERLY PREPARE PURCHASE ORDERS

Auditors' Finding

Our auditors reported that in some cases the purchases of some items were not properly authorized before they were made.

Corrective Action

This was corrected in 2008.

Jane Killen
Executive Director

Cervis LaFleur
President

Jean Reynolds
Vice President

Brenda Wilmer
Secretary

Almetra J. Franklin
Treasurer

Dorothy Oliver
Parliamentarian

LACAP, INC.
LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS
2576 Toulon Drive, Suite 6, Baton Rouge, Louisiana 70816
Phone: 225-298-3323 Fax: 225-298-3325 E-mail: lacap@lacapmail.org

April 24, 2009

Mr. Milton J. Bailey, President
Louisiana Housing Finance Agency
2415 Quail Drive
Baton Rouge, LA 70808

Dear Mr. Bailey:

We respectfully submit the following corrective action plan for the year ended October 31, 2008.

Responsible Person: Jane Killen, Executive Director
Time of Completion: October 31, 2009

Type of Findings: FINANCIAL STATEMENT AUDIT

Significant Deficiency in Internal Control:

ITEM NO. 2008-1-FS ERROR IN RECORDING CERTAIN EXPENSES

See comment at 2008-1-MP

Material Weakness in Internal Control:

ITEM NO. 2008-2-FS RELIABILITY OF FINANCIAL REPORTING

Corrective Action: We are in the process of seeking a professional in the accounting field who has a strong background in accounting and auditing. In addition, if needed we will contract with an outside CPA firm to assist us monthly to make sure that our reporting is being done accurately.

Type of Findings: MAJOR FEDERAL AWARD PROGRAM AUDIT

Significant Deficiency in Internal Control:

ITEM NO. 2008-1-MP ERROR IN RECORDING CERTAIN EXPENSES

Corrective Action: Training costs were inadvertently charged to the administrative account rather than training and technical assistance. Accounting staff will be counseled on the importance of accurate recording of expenses. In addition, we will review accounts monthly to ensure that all expenses are properly recorded. If errors are found, they will be corrected immediately.

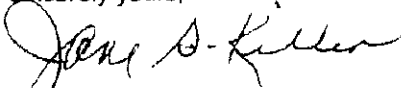
Type of Findings:

Known Questioned Costs Greater Than \$10,000

ITEM NO. 2008-2-MP KNOWN QUESTIONED COSTS

Corrective Action: We are in the process of completing our investigation on Pointe Coupee Community Advancement, Inc. in order to determine the total amount of noncompliance spending by the agency and the cause if possible. We will request that any improperly expended amount will be reimbursed by Pointe Coupee Community Advancement, Inc. In addition, if the cause of the misspending is determined to be possible fraud or illegal acts the information gathered will be furnished to the proper law enforcement agencies.

Sincerely yours,



Jane S. Killen
Executive Director